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SUBJECT: Greece Euro-Elections Analysis: ND Government Likely to Limp
On, Jockeying on Early Elections Begins

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1.4(B), (D)

1. (C) SUMMARY: Despite ruling party New Democracy's (ND) loss to main opposition PASOK in June 7 European Parliament elections, the ND government is likely to limp on, with Prime Minister Kostas Karamanlis focusing inward and scrambling to protect his fragile one-seat majority in the Greek Parliament. PASOK's four-point victory at the Euro-polls, though boosting party leader George Papandreou's consistent calls for new domestic elections, was not significant enough to bring down the ND government. With nationalist voters giving far-right LAOS a surprisingly strong showing and ND's center-right base abstaining in droves, ND faces political challenges on both sides of the political spectrum--a surging PASOK on the left and a more confident LAOS sniping from the right. Karamanlis likely will have even less maneuvering room to make important decisions and compromises on the Macedonia name issue or on disputes with Turkey in the Aegean--instead focusing on domestic hot-button topics such as illegal migration. Though ND's political energies largely will be devoted to self-preservation, we will continue to engage the GoG on broadening the U.S.-Greece relationship--to include common strategic interests and challenges such as Afghanistan, counter-terrorism and non-proliferation, support for Turkey's EU accession prospects, and promoting stability in the Balkans. END SUMMARY.

WHY ND LOST: INSECURITY, SCANDALS, ILLEGAL MIGRATION

2. (C) ND's Euro-elections defeat, long foreshadowed in months of polls, follows a particularly chaotic and challenging year for Greece. Sustained countrywide riots beginning in December 2008 have polarized Greek society and exacerbated popular frustration with the police, who are perceived as heavy-handed but also inefficient and incapable of maintaining public order. (For a detailed analysis of the December riots, see REF A.) The economic crisis has hit Greece's tourism and shipping sectors hard, and the ND government's budget has come under attack from protesting public sector employees and EU Commission fiscal hawks alike. Recurring corruption scandals, from a shady land swap between ND officials and the Vatopedion monastery to a bribery investigation into

Olympics-era Siemens contracts, have sapped confidence in the Greek political system. Compounding these concerns are continued waves of illegal migrants from the Muslim world and recent unrest between Muslim migrants and right-wing radicals, which have fed public perceptions of an ND government unable to maintain a secure and integrated Greek society. Given these factors, ND's beating at the polls was entirely expected.

13. (C) The June 7 elections were also characterized by a historically high abstention rate of 47.4 percent, as well as a large "protest vote," with voters casting ballots for tiny, unknown parties across the political spectrum. (See REF B for election statistics.) Newspaper To Bima, in a poll of voters who abstained, noted that 55 percent of PASOK and almost 60 percent of ND supporters expressed a general lack of confidence in the country's political system. Two small parties did particularly well in the elections, with far-right LAOS nearly doubling its last electoral showing to 7.15 percent and the leftist Ecological Greens winning their strongest-ever 3.47 percent. ND's core base of center-right voters fled from the party en masse, with some analysts saying that almost one of every two voters who supported ND in 2007, abstaining or supporting smaller parties such as far-right LAOS.

THE LAOS FACTOR: A STRONGER FAR RIGHT

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14. (C) The big surprise of the Euro-elections was the strong showing of LAOS, whose anti-immigrant, law-and-order, and nationalist party platform lured ND defectors sick and tired of insecurity, perceived police incompetence, and continuing waves of illegal migration. LAOS' victory paralleled a broader Euro-election trend showing increased support for right-wing and nationalist parties throughout Europe. Party leader Georgios Karatzaferis, who has been criticized for anti-Semitic views and who denied that the Holocaust occurred, ran a shrewd election campaign focused on drawing in disaffected ND voters, suggesting that ND and LAOS more closely coordinate their party platforms--all the while sniping at individual ND leaders for failing to address security and migration problems. Even post-elections, Karatzaferis publicly invited ND parliamentarians to join LAOS--drawing angry, defensive retorts from ND spokesmen, who vowed that ND would never accept the far-right LAOS platform. Despite this ND rhetoric, however, LAOS is important to the struggling government--if only because LAOS' ten MPs provide critical backup against PASOK should ND lose its one-seat majority.

PASOK: WINNER BY DEFAULT

15. (C) While ND's loss to PASOK was expected, election commentators also noted that PASOK's four-point victory was not enough to force immediate early elections. In some pre-election polls, PASOK had garnered as much as a six-point lead over ND, and with a six- or seven-point margin, PASOK might have had more political ammunition with which to call for new domestic elections--as well as a stronger shot at winning enough seats to form a single-party government. Compared to previous elections, the number of voters supporting PASOK in the Euro-elections remained relatively constant. This means that PASOK's victory

resulted mainly from the erosion of ND's own core base--in other words, a victory by default. Even without enough support for early elections, however, PASOK's Euro-elections victory has solidified its position as the undisputed political front-runner--and placed ND on the political defensive.

THE SHORT TERM: ND CRACKDOWN ON ILLEGAL MIGRATION

16. (C) Just days after his Euro-elections defeat, ND Prime Minister Kostas Karamanlis presented a package of new initiatives aimed at drawing back in his center-right voting base and addressing a top hot-button issue for Greek conservatives: illegal migration. On June 11, Minister of Interior Prokopis Pavlopoulos announced a new domestic crackdown on illegal migrants, promising more identity checks and police roundups of immigrants, the construction of new "receiving centers" for detained migrants, and new legislation to make human smuggling a felony. Karamanlis and Foreign Minister Dora Bakoyiannis began a new diplomatic offensive on migration issues: at the June 15-16 EU General Affairs and External Relations Council (GAERC) meeting, Bakoyiannis tabled a motion to criticize Turkey's lack of cooperation in preventing illegal migration flows, while Karamanlis promised to press other EU members for more resources through the FRONTEX external border security agency. ND leaders likely calculate that seizing the initiative on illegal immigration will win back voters lost to

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LAOS, as well as highlighting PASOK and other leftist parties' perceived pro-migrant sympathies. Not to be outdone, PASOK also announced a new platform on migration, calling for "zero tolerance" on illegal immigration and pressure on other EU nations to more equitably share responsibility for Greece's asylum-seeker and migrant populations.

THE MEDIUM TERM: JOCKEYING OVER EARLY ELECTIONS

17. (C) The big question for Greek politics remains: when will elections next be held? Most political analysts believe that early elections are a given--and with ND hoping to seize the initiative with its new crackdown on illegal migrants, and PASOK hoping build on its Euro-elections victory, each party is jockeying over when and how to gain an advantage. One logical point for PASOK to trigger early elections would be during Greek presidential elections, next slated to occur in March 2010, when the term of the current president, PASOK's Karolos Papoulias, ends. According to Greek law, after three ballots a president must be chosen with at least 180 out of 300 Parliamentary votes, a 60 percent margin--otherwise Parliament is dissolved and snap elections are held. PASOK, with 102 seats, needs an additional 19 votes from the Greek Communists and/or leftist SYRIZA to spoil presidential elections and trigger elections. ND strategists may try to head this off by re-nominating Papoulias or ex-Prime Minister Costas Simitis, a PASOK luminary, for the largely ceremonial presidency--thus forcing PASOK to choose between rejecting one of their own for president, or forgoing a chance to force early elections.

18. (C) Instead of waiting for PASOK to play the presidential

election card, Karamanlis, with a one-seat majority in Parliament, has another option: unilaterally calling early elections himself. The political rumor mill variously considers September or October 2009 to be the months for such a gambit. By calling his own elections, Karamanlis could control the timing and possibly the agenda of an elections battle against PASOK. In order to execute this tactic, Karamanlis needs to hold together his fraying 151-seat bloc in Parliament. ND has already experienced one defection over the last year, and ND maverick Yiannis Manolis recently criticized Karamanlis and called for a pan-ND-LAOS party.

COMMENT: IMPLICATIONS FOR USG INTERESTS

19. (C) COMMENT: In some ways, PASOK's win by default over ND presents a more challenging environment for USG interests. Though ND was defeated in the Euro-elections, PASOK did not win by enough to force a government collapse. The net result leaves Karamanlis and his government limping along, focused inward on electoral jockeying and less able to make important policy decisions on controversial issues. In particular, ND's vulnerability to LAOS, which is ready to poach Greek conservative voters with its anti-immigrant, nationalist platform, may leave the government less maneuvering room on sensitive policy issues.

110. (C) The potential remains for positive movement on many issues of USG interest--especially on items that do not infringe upon touchy national issues for the Greeks. The U.S.-EU Mutual Legal

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Assistance and Extradition Treaties (MLAT) enjoys likely bipartisan support and we expect the agreements to be ratified soon. We continue to make good progress on Greece's entry into the Visa Waiver Program, with key agreements expected to be signed by the Secretary and Foreign Minister Bakoyiannis during the June 27-28 OSCE informal ministerial in Corfu. The government's focus on illegal migration may open the door for increased Greek engagement on Afghanistan and Pakistan--two major source countries for illegal migrants and refugees here--especially on the economic assistance front. In addition, with Muslim migrants now at the top of the political agenda, human rights issues such as constructing the long-delayed Athens mosque and Muslim cemetery are receiving increased attention. Most importantly, we see a continued opportunity to engage the Greeks on counterterrorism issues--from advocating for a Proliferation Security Initiative (PSI) Shipboarding Agreement to enhancing our CT information-sharing regime. Post will continue to press for Greek action on broader, strategic common interests--interests that remain just as important in this challenging post-election environment. END COMMENT.
SPECKHARD